

PUBLIC ADMINISTRATION: - SAUDI ARABIAN BUDGET - Miscellaneous

Info
on
L.A.

Al Bilad Assa'udiya Paper,
Issue No. 1052, Shaw'wal 13, 1370
July 17, 1951.

ROYAL DECREE NO. 17-2-28-8955

With the help of the Gracious Lord,

We, Abdul Aziz ibn Abdur Rahman Al Faisal, King of
Saudi Arabia, pursuant to what has been submitted to us by our
Finance Minister, and after perusing Decree No. 17-2-28-3321, dated
Muharrem 21, 1370, and Decree No. 17-2-28-7635, dated Rabi' I 16,
1370, order the following:

Article 3 of Decree No. 17-2-28-3321, dated Muharram
21, 1370 shall be amended as follows:

The foreign employee is not entitled to the exemption of
the twenty thousand Riyals from his annual income unless he stays
one full year within the Kingdom; any one staying parts of the year
shall be eligible for exemption of parts of the twenty thousand
Riyals proportionate with the parts of the year he stays in the
Kingdom.

Issued at our Palace in Riyadh on 30 Ramadhan, 1370.

Um Al Qura

No. 1360 - dated April 27, 1951

Royal Decree - Income Tax

We were informed by the Ministry of Finance of the following:

Royal Decree

No. 17/2/28/8634 dated 29.6.1370 (April 17, 1951)

By the power of Almighty God, We, Abdul Aziz ibn Abdul Rahman al Faisal, King of the Kingdom of Saudi Arabia, in accordance with Royal Decree No. 17/2/28/3321 dated Moharram 21, 1370 (Nov. 2, 1950) ordering the establishment of an income tax and in compliance with the Islamic Sharia Laws and in view of what has been submitted to us by our Minister of Finance, we ordain the following:

Item 1 - The regulations given as per Royal Decree No. 17/2/28/3321 dated Moharram 21, 1370 will be only applicable to Individuals and Companies who are not in possession of Saudi Arabian Nationality;

Item 2 - Saudi Arabian Subjects will pay the Zakat in accordance with Islamic Sharia Laws;

Item 3 - The regulations of this decree will be put in force as from the date of the commencement of the regulations set up by the Royal Decree No. 17/2/28/3321 dated Moharram 21, 1370;

Item 4 - This decree is to be communicated to the authorities concerned with the execution of its regulations.

Royal Signature

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UM AL QURA

No. 1359 - April 20, 1951

INCOME TAX - REGULATIONS AND INSTRUCTIONS

Cabinet Order No. 340

In accordance with Royal Decree No. 17/2/28/3321 dated 21 Moharram, 1370 (Nov. 2, 1950) which approved the establishment of an income tax in the Kingdom of Saudi Arabia and according to Article 19 of the said decree which conferred powers upon H. E. the Minister of Finance to make the necessary arrangements and issue any instructions he may think necessary in execution of this decree, the Minister of Finance hereby puts the following instructions into effect regarding the income tax in Saudi Arabia:

Section 1 - Original Basis

(1) Royal Decree No. 17/2/28/3321 will come into force as from Moharram 1, 1370 (Oct. 13, 1950). This Ordinance imposes a tax on non-Saudi individuals or firms and companies. Saudi subjects come under the Sharia Law (Zakat Law). Companies shared between Saudis and non-Saudis will be treated under the above Royal Decree;

(2) The word "income" means all personal income of an individual or any income or profit earned or resulting from investment of capital within the Kingdom of Saudi Arabia and in any share of any rights held by it in the Neutral Zone lying between this Kingdom and Iraq and Kuwait;

(3) Personal income in these regulations shall mean payment for personal services for which a person receives wages from an employer or company or their representatives. These regulations shall also apply to salaries of employees of the Saudi Arabian Government or any other source with a recognized budget such as Wakfs, Municipalities, etc. or any public or general institutes i.e. Companies, Commercial houses, Industrial business houses, Agricultural, Banks, Individuals, etc;

All cash payments are to be considered as personal income as well as reasonably estimated amounts of money as price of property or other things given in lieu of any wages, or amounts deducted from wages for the settlement of debts owed by the payee;

(4) General income which will be subject to income tax means all kinds of income, profits and earnings of a registered or non-registered company wherever its head office is and whether dealing in commerce industry agriculture or banking which means all profit or income arising from any kind of commerce industry, agriculture, that is purchase and sale, exchange and

commercial transactions, mines' products, oil and other minerals, property - movable or non-movable - commissions, profits from stocks and shares, guarantees and any profits resulting from any commercial transaction mainly made for the purpose of profit from any source of wealth including Wakf income. Any companies established outside Saudi Arabia and carrying on business outside or inside Saudi Arabia will be subject to income tax only on that part of income or profit derived from transactions made inside Saudi Arabia or any share of any rights held by it in the Neutral Zones lying between this Kingdom and Iraq and Kuwait referred to in paragraph (2);

A company means any business or society shared between two or more persons dealing in some or all of the types of business mentioned in this paragraph whether it is commercial or not as far as a profit from the establishment of such a company is concerned. This also is applicable to industrial houses shared between two or more persons;

(5) The net profit resulting from investment of capital which is subject to income tax is all kinds of income, general receipts and profits (the term general receipts means all cash received in addition to properties obtained without the payment from capital during one year) out of which will be deducted the following before the tax is estimated: the price of the goods, living and other necessary expenses and adequate cost of depreciation of property (movable or non-movable) the cost of which is entered in the general receipts;

(6) Profits referred to in paragraph (5) above of persons who are not keeping recognized accounts will be estimated by the Government according to customs registers for all goods received by such a person which will not be less than 15% of the general receipts;

(7) General receipts mean everything that merchants and people dealing in industry and agriculture obtain from the sale of goods, materials and equipment;

Section 2 - Income Tax Percentage

(8) A tax will be imposed on officials and employees referred to in paragraph (3) above and on private officials i.e. doctors, engineers, lawyers, etc., at the rate of 5% of their annual incomes after deducting 20,000 riyals so that the tax is only collected on income in excess of 20,000 riyals;

(9) Officials referred to in paragraph (8) above who use their leisure time for private work i.e. clinics, hospitals, and commercial offices for their own private use in addition to their salaries which they get from their original posts, will be liable for income tax at the rate of 10%, after deduction of 20,000 riyals of their total income;

(10) A tax will be imposed on merchants, factory owners, contractors, etc. who invest their capital for buying and selling goods, hire of property (Movable or non-movable), imports and exports which include animals, all kinds of cars used for hire, boats, machines and equipment. Also commission agents and

auctioneers will pay tax at the rate of 10% of their profit which will be estimated at 15% of their total income during one year after deduction of 20,000 riyals;

The word merchant includes everybody dealing in trade and considers it as his occupation according to the Commercial Ordinance approved by Royal Order No. 32 dated Moharram 15, 1350 (June 2, 1931) including all commission agents, auctioneers, shipping agents, banks and all persons dealing in one or more lines of commerce although he may not consider trade to be his occupation. All the above will be subject to 10% income tax. Also Wakfs will be subject to 10% income tax after deduction of 20,000 riyals. Every Wakf is considered a separate Wakf and income taxes will be collected on each Wakf and to be represented by its Guardian (Chief);

(11) Contractors, whether having government contracts or others with official and recognized sources or with individuals, are subject to 10% income tax on their profits which will be estimated at 15% of the total amounts of contracts. Persons who rent property and then sub-rent it will pay income tax on the differences of the two amounts;

(12) Registered firms, firms which ought to have been registered (as per Royal Order No. 144), and distribution of dividends;

Section 3 - Deductions from Profits

(13) The following will be deducted from the profits of merchants defined in paragraph (10), persons of private occupations defined in paragraph (11) and companies defined in paragraph (12) of this ordinance:

- (a) necessary expenses viz: rent of shops, offices, etc., salaries of employees and any other expenses coming under such headings;
- (b) Travelling expenses - such travel must be for official business;
- (c) An adequate amount for the depreciation of property, cars, etc. which are in use for commercial, industrial and agricultural purposes and which must not exceed 10% of the cost price;
- (d) Any loss during the year on which income tax is applicable and which is not compensated by any other means;
- (e) Royalties payable to the Government from companies given concessions in this country and the profits due to the Government. No personal expenses are deducted from the profits and also debts on the tax payee will not be deducted from the profits unless such debts are owing to cost of goods, the rent of shops or the salaries of employees. Other debts which are not settled within the expired year on which income tax is applicable will be included to the profits subject to the mentioned income tax on condition that taxes will not be collected more than once on such debts;

Section 4 - Exemptions

(14) The following are exempted from income tax:

- (a) Royal Family;
- (b) Salaries of military forces, police and coast guards;
- (c) Salaries of religious people working in mosques;
- (d) Ambassadors, Ministers, Consuls and other foreign political subjects in Saudi Arabia on condition that Saudi political representatives receive similar treatment in foreign countries;
- (e) All Saudi subjects who are charged with payment of Zakat as per the Sharia Law;
- (f) Employees' travelling expenses;
- (g) Official high cost of living allowances;
- (h) Grants and assistance paid to recognized charitable organizations and institutions and also grants paid through the Government;
- (i) Charitable societies, organizations and institutions recognized by the Government on condition that such sources are not operating for private interests;
- (j) Properties subject to the properties tax but not to include those who rent property and then sub-rent it as defined in paragraph (10);
- (k) Profits of shares from those holding them, in accordance with paragraph (12) of this ordinance;
- (l) Taxes imposed by the Government on Bedouin and villagers.

(15) Income taxes will be collected as follows:

- (a) From the salaries of employees defined in paragraph (3) of this ordinance whose annual salaries and wages exceed 20,000 riyals divided into 12 months viz: 1666 riyals per month. Taxes will be collected on the balance of salaries and wages which will be credited in a special column in the Government budget as receipts. Taxes on employees of recognized firms, banks, companies and factories etc. will be collected by their employers and put as deposits for the account of the Government in their books and then to be delivered to the Government treasury. Such employers will be wholly responsible for any negligence or carelessness in tax collection or refund to the Government. If an employee is

dismissed, or dies before completing one year's service, the part of income tax paid by him will be refunded to him or his heirs;

- (b) People of private occupation defined in paragraph (9) of this ordinance have to pay the income tax due within the first five days of the month on the profits of the previous month. If they fail to do so they will be liable to fine specified in the last paragraph of Article 5 of the Royal Decree. At the end of the year the total amount of the tax will be calculated and any balance will be refunded to them if a balance arises.

(16) Banks, companies, merchants, etc. defined in paragraph (12) of this ordinance have to pay the tax due within two and one half months after the expiration of the year for which income tax is applicable as per the last paragraph of Article 16 of the Royal Decree.

(17) Merchants and owners of factories defined in paragraph (1) of this ordinance and people of private occupations defined in paragraph (9) of this ordinance are to pay the tax due on their profits within the first half of the month following the month to which income tax is applicable, filling in the details specified on the form already prepared for this purpose. Contractors as defined in paragraph (11) of this ordinance have to pay taxes due on the installments they receive for carrying out their business. At the end of each year the tax due for that year will be calculated and paid as per paragraph (15) of this ordinance.

(18) To make the execution of this ordinance easy there will be established a special division at the general revenue office in the Ministry of Finance to carry out these regulations and to estimate the taxes and profits from the details they obtain from their enquiries and investigations as per paragraph (13) of this ordinance. All branches of the Finance Ministry have to carry out all the orders they receive in this respect for the execution of the income tax.

(19) In addition to the above, the new tax office is supposed to check all books of merchants and companies from time to time and the latter are responsible for any negligence in collecting the income taxes at the due dates.

Section 6 - Penalties

(20) Cash Fines

- (a) The employer is responsible for the collection of the monthly installments of income taxes from employees. If he does not collect and refund same to the Government treasury he will be liable to a fine of 10% of the income tax in addition to the tax itself. If he has further delayed the payment of taxes, the fine will be 25%. The fines of 10% and 25% are also applicable to individuals and parties defined in Article 9 of the Royal Decree.

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It is also applicable to companies and firms as per the last paragraph of Article 5 of the Royal Decree in case they will not submit the required details on the dates due.

- (b) In case there is found any intentional mistake or intent to mislead as to the details submitted by individuals, companies, firms, contractors and employers, a 25% additional income tax will be added to the original tax and an equal amount will be collected from the one who was guilty of an intent to mislead or an intentional mistake.

(21) Other penalties: Everyone who is eligible to pay tax will be suspended from his duties in Saudi Arabia temporarily or permanently and will be prohibited to leave the country and to take his money with him outside Saudi Arabia, if he did not pay the tax due on the due dates or if he gave any false statements as not to pay the exact tax due. Anybody, employee or employer, who assists anyone by any means not to pay the income tax or who gives away any secrets received by him will be dismissed from his position in addition to other legal punishments.

(22) The Ministry of Finance will send to all concerned and to those who are eligible for income tax special forms mentioning the estimated tax due from such an individual which they have obtained from their enquiries and investigations.

(23) Anybody who is eligible for income tax has the right to protest the estimate he receives from the Tax Office of the Ministry of Finance, and to send his protest to the preliminary council defined in paragraph 25 of this ordinance in a registered letter within seven days of the receipt of such an estimate. No protest will be considered if received after the expiration of the allowed seven days.

(24) If the preliminary council is satisfied with the reasons given by the applicant, the tax may be decreased, otherwise and in case of his protest being refused, he has the right to carry an appeal to the Minister of Finance within 15 days of his being informed of the result of his protest. No appeal will be considered if received after the expiration of the 15 days allowed.

(25) The preliminary council in each district will be formed of the Amir or anyone acting for him, the Senior Finance Ministry Officer of the district, a member of the Municipality and a member from the civil administration. This board has the right to investigate the protest submitted by the tax payer and to check his books and any documents they may think necessary.

(26) A Board of Appeal will be formed under the presidency of H.E. the Minister of Finance or any one he may choose to act on his behalf. The tax payer has to submit his appeal to any branch office of the Finance Ministry who will pass it to the Ministry of Finance within seven days of its being received, enclosing all correspondence made in this connection including the decision of the Preliminary Council so as to enable the Board of Appeal to give the final decision on the matter.

(27) The Preliminary Council is supposed to give its decision within fifteen days of the protest being received. The Board of Appeal is supposed to give its decision within one month after the appeal has been received.

(28) The Tax Office has the same right as the tax payer to appeal the decision of the Preliminary Council within the same periods allowed as referred to in paragraph (23) of this ordinance, if they find any error or misunderstanding in the decision of the Preliminary Council.

(29) To submit an appeal does not mean that the tax payer does not have to pay the tax which was confirmed by the Preliminary Council. Before submitting such an appeal he must pay the tax due. Any appeal received without the enclosure of a certified receipt showing that the tax is paid will not be considered.

(30) Both the Preliminary Council and the Board of Appeal have the right to call the tax payer or his legal representative to answer any questions put by them. In case he refuses to attend or to give any statements required from him his protest or his appeal will be refused.

(31) The regulations for the establishment of the income tax are to be applied for the immediate collection of taxes. The Ministry of Finance has the right to detain the property of those who do not pay their taxes and it has the right to give its debt priority over all other debts, and not to permit them to leave the country unless they have a certificate showing that they have already paid their income taxes.

Section 8 - General Rules

(32) Any individual or Company who stops work or business on the profits of which the income tax is due, he or they must notify the Ministry of Finance within sixty days of the date at which such work or business is stopped. He or they must give all the necessary details to enable the Ministry of Finance to calculate the tax due up till the date of the work being stopped. If the Ministry of Finance is not notified of this, income tax will be charged for the whole year. Also, if anybody sold or assigned a part or the whole of his property, this will be considered as having stopped business, and the Ministry of Finance must also be notified of this. Otherwise, the assignee and the assignor will be responsible to pay the full estimated income taxes.

(33) Companies established outside Saudi Arabia and doing business inside and outside Saudi Arabia will be treated as companies established inside Saudi Arabia and are eligible for income tax as set forth in this ordinance.

(34) If the salary or wage of any employee is increased, he has to pay taxes on this increase as from the date such an increase is granted to him. His employer must notify the Ministry of Finance of this increase.

(35) Merchants, people of private occupation, etc. referred to in this Ordinance must keep organized records of their receipts and expenditures to enable the tax office to estimate their profits and the taxes due. These books must be approved by the Commercial Court or Legal Clerk (registrar) in places where there are no Commercial Courts. They must also keep all invoices, customs receipts, etc.

(36) Companies, Banks (registered or which ought to have been registered) who keep their books according to the Christian Year must give details regarding their profits as from Moharram 1, 1370 (Oct. 13, 1950) up to December 31, 1950, which period will be considered as part of the year on which taxes are applicable.

(37) The Finance Office must keep three books (as per sample sent direct) - one for income taxes at the rate of 5%, another one for 10% taxes and the third one for 20% taxes. A special book must be prepared for protests and another one for appeals defined in this ordinance. Moreover, they must notify tax payers on due dates and to obtain from companies, banks, firms, etc. the required details in connection with income taxes and to entertain protests and appeals from people.

(38) The Finance Office must start immediately on receipt of these instructions to register all concerned and to collect from them the tax due according to the rates specified in this Ordinance.

(39) If any hesitation or misunderstanding occurs in applying any paragraph of this ordinance the Minister of Finance is the only one to clarify it.

(40) The Director General of Finance Ministry is to supervise the printing of the books, notifications and forms referred to in this Ordinance and to send them immediately to all branches of the Finance Ministry.

(41) Sufficient copies of this ordinance must be typed and distributed to Finance Branches and published at the press.

Signature - Minister of Finance.

(Apr. 8, 1951) 1.7.1370

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TECHNICAL COOPERATION ADMINISTRATION

POINT 4 COUNTRY PROGRAM AUTHORIZATION

Saudi Arabia

Project No. 030-470

Change Order No. 1

Field of Activity: (Project No. 030-470 previously designated Government Finance.) Country program for Economic Development and Technical Cooperation.

Nature of Assistance: The purpose of this authorization is to establish a fund of \$500,000 to be used for the executive direction, organization, development, supervision and local administration of a coordinated country program for economic development. Technical assistance will be furnished in the fields of Agriculture, Natural Resources, Health and Government Services. Included in this fund is \$64,154 previously authorized for the Government Finance project and \$131,000 to be reauthorized for continuing ground water investigations and aerial mapping. It is anticipated that \$144,000 of this authorization will be for Agriculture, \$100,000 for Health and \$60,846 for Economic Development (Program Direction) in Saudi-Arabia. This country program authorization is for payment of personnel services, travel, transportation of things, communication services, rents and utility services, printing and reproduction, other contractual services, supplies and materials, and equipment, and includes project authorizations issued to participating agencies.

Time Period: Through June 30, 1952

Action Agency: TCA

Budget: (FY 1952)

Total TCA

Previously authorized	64,154
Increase authorized	435,846
Revised total	500,000

Limitation or Special Instructions: Detailed information will be prepared regarding the country staff of U. S. technicians and supplies and materials required to assist the Saudi-Arabian Government with the development and operation of their country program. TCA Budget and Fiscal will issue allotments within the total amount authorized for this country program only upon receipt of memoranda from Assistant Administrator, NEDS, furnishing the necessary detailed information.

Agreement: General agreement signed and effective as of January 17, 1951.

Action to be Taken: TCA Budget and Fiscal will issue necessary documents within the amount of this authorization on receipt of appropriate memoranda

Approved: Henry G. Bennett
Administrator
Date: 10 - 22 - 51

POINT 4 PROJECT AUTHORIZATION

SAUDI ARABIA

Request No. 2/52

Project No. 030-470Field of Activity: Government Finance

Nature of Assistance: Reauthorization of the services of five experts to advise the Minister of Finance on the initiation of fiscal reforms related primarily to customs administration and enforcement, budget and accounting departments, and currency and coinage problems; and the services of a secretary.

Time Period: August 15, 1951 to June 30, 1952

Action Agency: Department of State, Technical Cooperation Administration

Budget: (FY 1952)

01 - Personal services, 6 positions, 4.38 man-years	\$ 56,784
02 - Travel (including 2 dependents)	4,830
03 - Transportation of things	2,040
04 - Communications	500
Total	<u>\$64,154</u>

Quarterly Apportionment of Obligations:

First quarter	\$ 3,010
Second quarter	21,280
Third quarter	19,932
Fourth quarter	19,932
Total	<u>\$ 64,154</u>

Limitations or Special Instructions: Subject to exchange of notes formalizing arrangements for the project, in accordance with PL 535.

Action to be Taken: TCA Budget and Fiscal to issue fiscal documents within the total amount of this authorization.

Approved: Henry G. Bennett
Administrator

Date: 8 - 23 - 51

Um Al Qura

No. 1360 - dated April 27, 1951

Royal Decree - Income Tax

We were informed by the Ministry of Finance of the following:

Royal Decree

No. 17/2/28/8634 dated 29.6.1370 (April 17, 1951)

By the power of Almighty God, We, Abdul Aziz ibn Abdul Rahman al Faisal, King of the Kingdom of Saudi Arabia, in accordance with Royal Decree No. 17/2/28/3321 dated Moharram 21, 1370 (Nov. 2, 1950) ordering the establishment of an income tax and in compliance with the Islamic Sharia Laws and in view of what has been submitted to us by our Minister of Finance, we ordain the following:

Item 1 - The regulations given as per Royal Decree No. 17/2/28/3321 dated Moharram 21, 1370 will be only applicable to Individuals and Companies who are not in possession of Saudi Arabian Nationality;

Item 2 - Saudi Arabian Subjects will pay the Zakat in accordance with Islamic Sharia Laws;

Item 3 - The regulations of this decree will be put in force as from the date of the commencement of the regulations set up by the Royal Decree No. 17/2/28/3321 dated Moharram 21, 1370;

Item 4 - This decree is to be communicated to the authorities concerned with the execution of its regulations.

Royal Signature

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UM AL QURA

No. 1359 - April 20, 1951

INCOME TAX - REGULATIONS AND INSTRUCTIONS

Cabinet Order No. 340

In accordance with Royal Decree No. 17/2/28/3321 dated 21 Moharram, 1370 (Nov. 2, 1950) which approved the establishment of an income tax in the Kingdom of Saudi Arabia and according to Article 19 of the said decree which conferred powers upon H. E. the Minister of Finance to make the necessary arrangements and issue any instructions he may think necessary in execution of this decree, the Minister of Finance hereby puts the following instructions into effect regarding the income tax in Saudi Arabia:

Section 1 - Original Basis

(1) Royal Decree No. 17/2/28/3321 will come into force as from Moharram 1, 1370 (Oct. 13, 1950). This Ordinance imposes a tax on non-Saudi individuals or firms and companies. Saudi subjects come under the Shari'a Law (Zakat Law). Companies shared between Saudis and non-Saudis will be treated under the above Royal Decree;

(2) The word "income" means all personal income of an individual or any income or profit earned or resulting from investment of capital within the Kingdom of Saudi Arabia and in any share of any rights held by it in the Neutral Zone lying between this Kingdom and Iraq and Kuwait;

(3) Personal income in these regulations shall mean payment for personal services for which a person receives wages from an employer or company or their representatives. These regulations shall also apply to salaries of employees of the Saudi Arabian Government or any other source with a recognized budget such as Wakfs, Municipalities, etc. or any public or general institutes i.e. Companies, Commercial houses, Industrial business houses, Agricultural, Banks, Individuals, etc;

All cash payments are to be considered as personal income as well as reasonably estimated amounts of money as price of property or other things given in lieu of any wages, or amounts deducted from wages for the settlement of debts owed by the payee;

(4) General income which will be subject to income tax means all kinds of income, profits and earnings of a registered or non-registered company wherever its head office is and whether dealing in commerce industry agriculture or banking which means all profit or income arising from any kind of commerce industry, agriculture, that is purchase and sale, exchange and

commercial transactions, mines' products, oil and other minerals, property - movable or non-movable - commissions, profits from stocks and shares, guarantees and any profits resulting from any commercial transaction mainly made for the purpose of profit from any source of wealth including Wakf income. Any companies established outside Saudi Arabia and carrying on business outside or inside Saudi Arabia will be subject to income tax only on that part of income or profit derived from transactions made inside Saudi Arabia or any share of any rights held by it in the Neutral Zones lying between this Kingdom and Iraq and Kuwait referred to in paragraph (2);

A company means any business or society shared between two or more persons dealing in some or all of the types of business mentioned in this paragraph whether it is commercial or not as far as a profit from the establishment of such a company is concerned. This also is applicable to industrial houses shared between two or more persons;

(5) The net profit resulting from investment of capital which is subject to income tax is all kinds of income, general receipts and profits (the term general receipts means all cash received in addition to properties obtained without the payment from capital during one year) out of which will be deducted the following before the tax is estimated: the price of the goods, living and other necessary expenses and adequate cost of depreciation of property (movable or non-movable) the cost of which is entered in the general receipts;

(6) Profits referred to in paragraph (5) above of persons who are not keeping recognized accounts will be estimated by the Government according to customs registers for all goods received by such a person which will not be less than 15% of the general receipts;

(7) General receipts mean everything that merchants and people dealing in industry and agriculture obtain from the sale of goods, materials and equipment;

Section 2 - Income Tax Percentage

(8) A tax will be imposed on officials and employees referred to in paragraph (3) above and on private officials i.e. doctors, engineers, lawyers, etc., at the rate of 5% of their annual incomes after deducting 20,000 riyals so that the tax is only collected on income in excess of 20,000 riyals;

(9) Officials referred to in paragraph (8) above who use their leisure time for private work i.e. clinics, hospitals, and commercial offices for their own private use in addition to their salaries which they get from their original posts, will be liable for income tax at the rate of 10%, after deduction of 20,000 riyals of their total income;

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Section 4 - Exemptions

(14) The following are exempted from income tax:

auctioneers will pay tax at the rate of 10% of their profit which will be estimated at 15% of their total income during one year after deduction of 20,000 riyals;

(b) Salaries of military forces, police and coast guards;

The word merchant includes everybody dealing in trade and considers it as his occupation according to the Commercial Ordinance approved by Royal Order No. 32 dated Moharram 15, 1350 (June 2, 1931) including all commission agents, auctioneers, shipping agents, banks and all persons dealing in one or more lines of commerce although he may not consider trade to be his occupation. All the above will be subject to 10% income tax. Also Wakfs will be subject to 10% income tax after deduction of 20,000 riyals. Every Wakf is considered a separate Wakf and income taxes will be collected on each Wakf and to be represented by its Guardian (Chief);

(11) Contractors, whether having government contracts or others with official and recognized sources or with individuals, are subject to 10% income tax on their profits which will be estimated at 15% of the total amounts of contracts. Persons who rent property and then sub-rent it will pay income tax on the differences of the two amounts;

(12) Registered firms, firms which ought to have been registered (as per Royal Order No. 144), and distribution of dividends;

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(13) The following will be deducted from the profits of merchants defined in paragraph (10), persons of private occupations defined in paragraph (11) and companies defined in paragraph (12) of this ordinance:

(a) necessary expenses viz: rent of shops, offices, etc., salaries of employees and any other expenses coming under such headings;

(b) Travelling expenses - such travel must be for official business;

(c) An adequate amount for the depreciation of property, cars, etc. which are in use for commercial, industrial and agricultural purposes and which must not exceed 10% of the cost price;

(d) Any loss during the year on which income tax is applicable and which is not compensated by any other means;

(e) Royalties payable to the Government from companies given concessions in this country and the profits due to the Government. No personal expenses are deducted from the profits and also debts on the tax payee will not be deducted from the profits unless such debts are owing to cost of goods, the rent of shops or the salaries of employees. Other debts which are not settled within the expired year on which income tax is applicable will be included to the profits subject to the mentioned income tax on condition that taxes will not be collected more than once on such debts;

Section 4 - Exemptions

(14) The following are exempted from income tax:

(a) Royal Family;

(b) Salaries of military forces, police and coast guards;

(c) Salaries of religious people working in mosques;

(d) Ambassadors, Ministers, Consuls and other foreign political subjects in Saudi Arabia on condition that Saudi political representatives receive similar treatment in foreign countries;

(e) All Saudi subjects who are charged with payment of Zakat as per the Sharia Law;

(f) Employees' travelling expenses;

(g) Official high cost of living allowances;

(h) Grants and assistance paid to recognized charitable organizations and institutions and also grants paid through the Government;

(i) Charitable societies, organizations and institutes recognized by the Government on condition that such sources are not operating for private interests;

(j) Properties subject to the properties tax but not to include those who rent property and then sub-rent it as defined in paragraph (10);

(k) Profits of shares from those holding them, in accordance with paragraph (12) of this ordinance;

(l) Taxes imposed by the Government on Bedouin and villagers.

(15) Income taxes will be collected as follows:

(a) From the salaries of employees defined in paragraph (1) of this ordinance whose annual salaries and wages exceed 20,000 riyals divided into 12 months viz: 1666 riyals per month. Taxes will be collected on the balance of salaries and wages which will be credited in a special column in the Government budget as receipts. Taxes on employees of recognized firms, banks, companies and factories etc. will be collected by their employers and put as deposits for the account of the Government in their books and then to be delivered to the Government treasury. Such employers will be wholly responsible for any negligence or carelessness in tax collection or refund to the Government. If an employee is

dismissed, or dies before completing one year's service, the part of income tax paid by him will be refunded to him or his heirs;

- (b) People of private occupation defined in paragraph (9) of this ordinance have to pay the income tax due within the first five days of the month on the profits of the previous month. If they fail to do so they will be liable to fine specified in the last paragraph of Article 5 of the Royal Decree. At the end of the year the total amount of the tax will be calculated and any balance will be refunded to them if a balance arises.

(16) Banks, companies, merchants, etc. defined in paragraph (12) of this ordinance have to pay the tax due within two and one half months after the expiration of the year for which income tax is applicable as per the last paragraph of Article 16 of the Royal Decree.

(17) Merchants and owners of factories defined in paragraph (1) of this ordinance and people of private occupations defined in paragraph (9) of this ordinance are to pay the tax due on their profits within the first half of the month following the month to which income tax is applicable, filling in the details specified on the form already prepared for this purpose. Contractors as defined in paragraph (11) of this ordinance have to pay taxes due on the installments they receive for carrying out their business. At the end of each year the tax due for that year will be calculated and paid as per paragraph (15) of this ordinance.

(18) To make the execution of this ordinance easy there will be established a special division at the general revenue office in the Ministry of Finance to carry out these regulations and to estimate the taxes and profits from the details they obtain from their enquiries and investigations as per paragraph (13) of this ordinance. All branches of the Finance Ministry have to carry out all the orders they receive in this respect for the execution of the income tax.

(19) In addition to the above, the new tax office is supposed to check all books of merchants and companies from time to time and the latter are responsible for any negligence in collecting the income taxes at the due dates.

15 days of his being informed of the result of his protest. No appeal will be considered if received Section 6 - Penalties within the 15 days allowed.

(20) Cash Fines A preliminary council in each district will be formed of the Amir or anyone acting for him, the Senior Finance Ministry Officer of the district, a member

(a) The employer is responsible for the collection of the monthly installments of income taxes from employees. If he does not collect and refund same to the Government treasury he will be liable to a fine of 10% of the income tax in addition to the tax itself. If he has further delayed the payment of taxes, the fine will be 25%. The fines of 10% and 25% are also applicable to individuals and parties defined in Article 9 of the Royal Decree.

(25) A Board of Appeal will be formed of the Amir or anyone acting for him, the Senior Finance Ministry Officer of the district, a member of the Board of Appeal. The Board of Appeal will pass it to the Finance Ministry within seven days of its being received, enclosing all correspondence made in this connection including the decision of the Preliminary Council so as to enable the Board of Appeal to give the final decision on the matter.

(27) The Preliminary Council is supposed to give its decision within fifteen days of the protest being received. The Board of Appeal is supposed to give its decision within the same period.

It is also applicable to companies and firms as per the last paragraph of Article 5 of the Royal Decree in case they will not submit the required details on the dates due.

(28) The decision of the Preliminary Council within the same periods allowed as referred to in paragraph 27.

(b) In case there is found any intentional mistake or intent to mislead as to the details submitted by individuals, companies, firms, contractors and employers, a 25% additional income tax will be added to the original tax and an equal amount will be collected from the one who was guilty of an intent to mislead or an intentional mistake.

(29) To pay the tax such an appeal must be accompanied by a certified receipt showing that the tax is paid.

(21) Other penalties: Everyone who is eligible to pay tax will be suspended from his duties in Saudi Arabia temporarily or permanently and will be prohibited to leave the country and to take his money with him outside Saudi Arabia, if he did not pay the tax due on the due dates or if he gave any false statements as not to pay the exact tax due. Anybody, employee or employer, who assists anyone by any means not to pay the income tax or who gives away any secrets received by him will be dismissed from his position in addition to other legal punishments.

(22) The Ministry of Finance will send to all concerned and to those who are eligible for income tax special forms mentioning the estimated tax due from such an individual which they have obtained from their enquiries and investigations.

(23) Anybody who is eligible for income tax has the right to protest the estimate he receives from the Tax Office of the Ministry of Finance, and to send his protest to the preliminary council defined in paragraph 25 of this ordinance in a registered letter within seven days of the receipt of such an estimate. No protest will be considered if received after the expiration of the allowed seven days.

(24) If the preliminary council is satisfied with the reasons given by the applicant, the tax may be decreased, otherwise and in case of his protest being refused, he has the right to carry an appeal to the Minister of Finance within 15 days of his being informed of the result of his protest. No appeal will be considered if received after the expiration of the 15 days allowed.

(25) The preliminary council in each district will be formed of the Amir or anyone acting for him, the Senior Finance Ministry Officer of the district, a member of the Municipality and a member from the civil administration. This board has the right to investigate the protest submitted by the tax payer and to check his books and any documents they may think necessary. he has to pay taxes on this increase as from the date such an increase is granted to him.

(26) A Board of Appeal will be formed under the presidency of H.E. the Minister of Finance or any one he may choose to act on his behalf. The tax payer has to submit his appeal to any branch office of the Finance Ministry who will pass it to the Ministry of Finance within seven days of its being received, enclosing all correspondence made in this connection including the decision of the Preliminary Council so as to enable the Board of Appeal to give the final decision on the matter.

(27) The Preliminary Council is supposed to give its decision within fifteen days of the protest being received. The Board of Appeal is supposed to give its decision within one month after the appeal has been received.

(28) The Tax Office has the same right as the tax payer to appeal the decision of the Preliminary Council within the same periods allowed as referred to in paragraph (23) of this ordinance, if they find any error or misunderstanding in the decision of the Preliminary Council.

(29) To submit an appeal does not mean that the tax payer does not have to pay the tax which was confirmed by the Preliminary Council. Before submitting such an appeal he must pay the tax due. Any appeal received without the enclosure of a certified receipt showing that the tax is paid will not be considered.

(30) Both the Preliminary Council and the Board of Appeal have the right to call the tax payer or his legal representative to answer any questions put by them. In case he refuses to attend or to give any statements required from him his protest or his appeal will be refused.

(31) The regulations for the establishment of the income tax are to be applied for the immediate collection of taxes. The Ministry of Finance has the right to detain the property of those who do not pay their taxes and it has the right to give its debt priority over all other debts, and not to permit them to leave the country unless they have a certificate showing that they have already paid their income taxes.

Section 8 - General Rules

(32) Any individual or Company who stops work or business on the profits of which the income tax is due, he or they must notify the Ministry of Finance within sixty days of the date at which such work or business is stopped. He or they must give all the necessary details to enable the Ministry of Finance to calculate the tax due up till the date of the work being stopped. If the Ministry of Finance is not notified of this, income tax will be charged for the whole year. Also, if anybody sold or assigned a part or the whole of his property, this will be considered as having stopped business, and the Ministry of Finance must also be notified of this. Otherwise, the assignee and the assignor will be responsible to pay the full estimated income taxes.

(33) Companies established outside Saudi Arabia and doing business inside and outside Saudi Arabia will be treated as companies established inside Saudi Arabia and are eligible for income tax as set forth in this ordinance.

(34) If the salary or wage of any employee is increased, he has to pay taxes on this increase as from the date such an increase is granted to him. His employer must notify the Ministry of Finance of this increase.

(35) Merchants, people of private occupation, etc. referred to in this Ordinance must keep organized records of their receipts and expenditures to enable the tax office to estimate their profits and the taxes due. These books must be approved by the Commercial Court or Legal Clerk (registrar) in places where there are no Commercial Courts. They must also keep all invoices, customs receipts, etc.

(36) Companies, Banks (registered or which ought to have been registered) who keep their books according to the Christian Year must give details regarding their profits as from Moharram 1, 1370 (Oct. 13, 1950) up to December 31, 1950, which period will be considered as part of the year on which taxes are applicable.

(37) The Finance Office must keep three books (as per sample sent direct) - one for income taxes at the rate of 5%, another one for 10% taxes and the third one for 20% taxes. A special book must be prepared for protests and another one for appeals defined in this ordinance. Moreover, they must notify tax payers on due dates and to obtain from companies, banks, firms, etc. the required details in connection with income taxes and to entertain protests and appeals from people.

(38) The Finance Office must start immediately on receipt of these instructions to register all concerned and to collect from them the tax due according to the rates specified in this Ordinance.

(39) If any hesitation or misunderstanding occurs in applying any paragraph of this ordinance the Minister of Finance is the only one to clarify it.

(40) The Director General of Finance Ministry is to supervise the printing of the books, notifications and forms referred to in this Ordinance and to send them immediately to all branches of the Finance Ministry.

(41) Sufficient copies of this ordinance must be typed and distributed to Finance Branches and published at the press.

Signature - Minister of Finance.

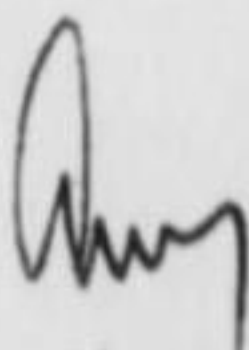
(Apr. 8, 1951) 1.7.1370

John
July 19, 1952 .

Memorandum for File.

General Day states that \$18 million is in his opinion the outside figure for military expenditures in connection with the program of American aid in the current fiscal year ending next March. Probably the figure will be somewhat less because of inability to spend that much.

To date about \$10 million has been spent.


Arthur N. Young

SAG Revenue in 1917

(From H. St. J.B. Philby, "The Heart of Arabia" 1922)

[King Ibn Saud said to Philby,] "All I have at the present moment in cash is £3000 and 4000 dollars; what can I do with that but restrict my military activities?"...

"The Trasury at Riyadh derives its revenue from three main sources. Firstly there is the Zakat or tax on sheep and camels levied at the rate of one sheep or five dollars on every full tale of forty sheep, and one goat or five dollars on every complete tale of five camels, - thus an owner of seventy sheep or eight camels pays but five dollars like the owner of the minimum taxable number, the owner of thirty sheep pays nothing, and the owners of ten and fourteen camels respectively pay alike. This clumsy and unevenly distributed system of taxation is reckoned to yield about 20,000 dollars a year. Secondly the Zakat al Arudh or land tax, levied at the rate of one-fifth or one-tenth of the main crops, dates and cereals, on flow and lift irrigated lands respectively, yields in the Hasa and at Qatif alone about 190,000 dollars per annum, and elsewhere very considerably less though he could give me no definite figures. And lastly there is the Qumruk or customs duties, levied at the rate of one-eighth per cent ad valorem at the Hasa ports, yielding Rs. 4,60,000 during the past year of restricted trading. These figures work out roughly at an annual income of some £70,000 only - perhaps £100,000 would fairly accurately represent Ibn Sa'ud's total annual income from taxation or it may be somewhat more. "But until quite recently," he would tell me, "I had regular opportunities of adding to my resources by the capture of live stock and other booty in expeditions against recalcitrant tribes, but now God has blessed my territories with peace and that source of revenue is lost to me."

"I enquired whether he derived any income from the passage of pilgrims to and from Mecca through his territories. "By our religious law," he replied, "it is haram to take anything from Muslims going to Mecca as Ibn Rashid and the Sharif do; I therefore get nothing from this source except from Shia' pilgrims, whom we regard as infidels and are at liberty to tax in return for the protection we assure them; true Muslims merely pay the expenses incidental to the journey." It is extraordinary how rigid precepts and prejudices of religion accommodate themselves to circumstances, for the number of foreign pilgrims, other than those of the Shia' sect, who use the Najd routes is negligible and the Shia's are taxed as infidels."

(Pages 293 - 294)

The draft budget breaks down about as follows - (figures in millions):

		Riyals	Dollars at 4'8
Ordinary operating items		370	93
Ordinary construction		<u>94</u>	<u>23</u>
Sub total		464	116
New major construction:			
Railway	55		
Al Karj (Military)	<u>69</u>		
Sub total		124	31
Reserves:			
Debt	100		
Currency & other bookkeeping items	32		
Unforseen	<u>12</u>	144	36
TOTAL		<u>732</u>	<u>183</u>

'8 - Bookkeeping rate used in the budget

ANALYSIS OF COSTS OF PRODUCING REVENUES

	SR <u>Revenue</u>	SR <u>Expense</u>	SR <u>Net</u>
1. <u>Zakat</u>			
Cattle	400,000	174,000	226,000
Produce	2,500,000	800,000	1,700,000
Trade	2,500,000	25,000	2,475,000
TOTAL	5,400,000	999,000	4,401,000
2. <u>Customs, etc.</u>			
Customs dues	70,000,000	6,084,475	63,915,525
Harbor dues	1,180,000	-	1,180,000
Quarantine dues	6,000,000	-	6,000,000
Pier dues	4,000,000	-	4,000,000
TOTAL	81,181,000	6,084,475	75,095,525
3. <u>Posts, Tel. & Tel.</u>			
Telegraph	2,500,000		
Posts	1,500,000		
Telephone	380,000		
TOTAL	4,380,000	11,018,714	(6,638,714)
4. <u>Printing Press</u>	900,000	1,369,312	(469,312)
5. <u>Water Distillation</u>	20,000	784,494	(764,494)
6. <u>Newspaper</u>	22,000	94,765	(92,765)
7. <u>Airline& fees</u>	5,270,000	13,141,148	(7,871,148)

SR
Revenue

SR
Expense

SR
Net

8. Electricity

Jidda

600,000

Riyadh

2,500,000

TOTAL

2,000,000

3,100,000

(1,100,000)

9. Haj

Department

487,075

New facilities

15,700,000

TOTAL

10,000,000

16,187,075

(6,187,075)

10. Gold

Royalties

800,000

Inc. Tax

?

Dividend

15,000

TOTAL

815,000

-

815,000

THE SAUDI ARABIAN GOLD SOVEREIGN

The recent arrival in Jidda of 100,000 new Saudi Arabian gold sovereigns, ^{x/} the first lot of a total order of about 1,055,000 coins (250,000 ounces), makes necessary an important decision. In order to act wisely, the Government has to consider carefully some problems of basic monetary policy. Obviously it is important for the Government to issue the new coin in accordance with a plan that will work successfully and not break down.

It has been proposed that the coin be issued at a fixed rate, e.g., 40 riyals per sovereign. The following questions arise:

1. If the new coin should be issued at a fixed rate, could the Government maintain the rate?
2. If the Government could not maintain a fixed rate, on what basis should it issue the new coin?

1. The Problem of a Fixed Rate

Saudi Arabia has a dual currency, comprising both gold sovereigns and silver riyal coins. ^{xx/} The value of each is related to its value as coin or bullion in world markets. The local value of one or both coins, however, may depart somewhat at times from the world value, because of restrictions upon exporting them and risks and costs of transport in the event of smuggling.

The local value of the British gold sovereign now follows fairly closely the value of that coin in markets abroad because gold is easy to smuggle and shipping costs cheap in relation to value. At the moment the sovereign is worth slightly more in Jidda than in Beirut.

^{x/} The new Saudi Arabian sovereign weighs 7.98805 grams, is .91666 fine and is similar in weight and fineness to the British sovereign. It contains 7.322326 grams (113 grains approximately or .2354 oz.) of fine gold, which is equivalent at \$35 per ounce to \$8.239. The market value of the British sovereign in Jidda was about 45 riyals or \$12.52 August 7, 1951.

^{xy/} The riyal weighs 11.6638 grams (180 grains) .916 2/3 fine, and contains 10.6918 grams (165 grains, or .34375 oz.) of fine silver. Its bullion value at the New York price was about \$0.31 and its exchange value about \$0.275 August 7, 1951.

No.

Item

1370-71

1371-72

Fees & licences

Residence permit fees	SR 200 000	SR 600 000
Fees on machinery & factories	5,000	30,000
Fees of notaries public & judicial services	460,000	800,000
Company registration & trademark fees	60 000	4,000
Estate fees	20 000	7,000
Fees on certifying foreign documents	5 000	5,000
~~Stamp taxes~~	~~700,000~~	~~1,300,000~~
Passports	1 000 000	500,000
Drivers' licences	210	202 000
Car registration	~~202 000~~	500,000
Identity card fees	340,000	8,000
Airport fees	15,000	270 000
	270,000	12
	<u>2585 000</u>	<u>2,926,000</u>

Details of "Other revenues"

	Blank for translation	1370-71	Leave a blank column	1371-
us taxes		SR 700 000		SR 1,300
stamps		~~SR~~ 500,000		~~SR~~ 600,000
tax		1000 ~~1000~~		~~1000~~
		10,000		30
		4000		3
		<u>1,215,000</u>		<u>1,933</u>

l. taxes

SR

No.

Item

SR

Fees & licences

4 Residence permits

200,000

Govt sales etc.

7,800,000

500 000

96 000

300 000

15 000

3,411,000

(1) Sales

(4) Rental of Govt. property 100 000

(2) Sales of farm products 150 000
210 000

(5) Dividends on shares 1,660 000

Miscellaneous

Foreign debts due to Govt

(3) Refunds by names for
Petroleum products
services rendered

3,400 000

2,500 000

Other refunds

300 000

250 000

Confiscations

20 000

27 000

Fines

140 000

180 000

Issue of currency

~~30,000 000~~

~~30,000 000~~

Difference on exchange

600 000

350 000

Deductions on pensions

1,600 000

2,000 000

Revenue from previous years

28 000 000

1,000 000

Exceptional receipts

27,660 000

130 000

Miscellaneous

33,937 000

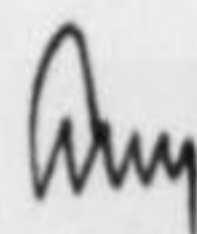
~~Miscellaneous~~

Fines	140,000	180,000
Deductions on ~~Differences~~ pensions	1,600,000	2,000,000
Revenues from previous years	—	1,000,000
Difference on exchange	600,000	350,000
Miscellaneous	—	130,000
~~Subt~~	2,660,000	3,937,000
~~Exceptional receipts~~	~~25,000,000~~	
Exceptional receipts	25,000,000	—
Issue of currency	—	30,000,000

April 7, 1952

MILITARY EXPENDITURES

The expenditures under the American aid program over a five year period are estimated very roughly at \$130 million. For the first year the program calls for an outlay of \$21 million. Of this, \$13 million would be spent in the United States for equipment; and \$8 million for construction in Saudi Arabia. A rough date for commencement of the spending is July 1, 1952, but this is very tentative. There is some doubt whether the planning can be advanced so that the \$21 million can all be spent in the first year. After the first year the spending in each of the next two years might be more than 1/5 of the total, with some tapering off at the end.



Arthur N. Young

May 12, 1952

Jidda, Saudi Arabia

MEMORANDUM TO: Dr. Samuel S. Stratton, Country Director

FROM: John A. Stacy, Budget Advisor, Finance
Mission

SUBJECT: Official Trip

1. Your approval is requested for a proposed trip to Dhahran, Saudi Arabia for the purpose of discussing certain aspects of the SAG budget and budget system.
2. I plan to leave on May 29, 1952 via Aramco air, and return June 4, 1952 also via Aramco air.
3. A one-day side trip to Bahrain will be made.
4. Visas for Dhahran, entering and leaving Saudi Arabia, and entering and leaving Bahrain will be required.

Aramco

C/O American Embassy
Jidda
January 2, 1952

Mr. R. S. Hawkey
Aramco
Dhahran

Dear Mr. Hawkey:

I shall be most grateful if you can bring up to date the financial data you kindly sent to me as per the enclosed tables. I send these to you with the thought that it would save work if the sheets were extended by pasting on more paper, and returned to me with the additions.

Perhaps you could include the totals for the year 1951.

We hope to see you here again before too long.

With the season's greetings, I am,

Sincerely yours,

Am

Arthur N. Young

Copy: Mr. Garry Owen

no attachments
given file.

Activity
authorized

POINT IV PROJECT AUTHORIZATION

Saudi Arabia

Request No. 5

Project No. (1)1XX7331

Field of Activity: Government Finance

Nature of Assistance: Services of five experts to advise the Minister of Finance on the initiation of fiscal reforms related primarily to Customs organizations, budget and accounting departments, and currency and coinage problems.

Time Period: 1 year

Action Agency: Treasury Department and bureau of the Budget

Budget: (F.Y. 1951)

01 - Personal Services	\$17,775
5 positions, 1.25 man years	
02 - Travel (including dependents)	9,000
03 - Transportation of Things	<u>7,500</u>
Total	\$34,275

(Note: Expenditure expected to commence March 1, 1950).

Limitations or Special Instructions:

- Subject to: (1) Negotiation of Point IV project memorandum of understanding.
- (2) Sub-project authorizations to be prepared specifying allotments to be made.

Approved: Henry G. Bennett

Date: December 28, 1950

February 27, 1952

ARAMCO REVENUE

The agreements made at Riyadh in recent weeks involved the following:

1. Amendment of the SAG tax decree and the December 1950 agreement, so that the 50% profits payable to SAG is budgeted before ~~foreign~~ taxes. At present, taxes to SAG off-set American corporate income tax. But, if the latter increases or if depletion allowance is reduced, Aramco may have to pay some American tax. Since the present U. S. tax of 52% is figured on income less depletion of 27½%, there is no American tax payable. But, a raise to about 53% or any material reduction in the depletion allowance would cause U. S. tax liability.

2. The schedule of tax payment to SAG has been similar to the American schedule. In the future, Aramco will start in September paying the tax for the current calendar year, for a 12-month period ending with August of the next year. The arrangement works thus:

The tax in respect of 1951 is about \$100 million, of which \$25 million was discounted in 1951 and \$5 million paid in January. The balance of \$70 million (including some non-dollar payments) will be paid in several installments in the middle of each month from February to August 15 inclusive. \$10 million will be paid in the first six of these months, with the final payment in August, which may be a little more or less than \$10 million. This will discharge the 1951 tax liability.

From September 15--December 15, 1952 only, there will be four payments of \$10 million each. In January 1953 the tax liability for 1952 will be estimated; \$40 million will be deducted and the balance paid from January 15--August 15, 1953 in installments that will be equal for the first seven months, with the final payment in August.

It is expected that final figures on taxes due will be available about April or May following the end of the taxable year.

In September 1953, Aramco will estimate the tax due in respect of 1953 and pay one-twelfth for the rest of that year. In January 1954, a re-estimate will be made as the basis for payments in the first eight months in 1954.

3. The royalty obligation will be repaid at \$500,000 monthly, effective with the payments deducted by Aramco in February 1952. The January payment of a little over \$1 million was based upon the December royalty. Aramco has been deducting at the rate of about \$14 million yearly, hence this arrangement will add about \$8 million yearly to the effective revenue. The royalty obligation, it is estimated, will be repaid by about 1957.

ESTIMATE OF 1952 REVENUE FROM ARAMCO

The estimate assumes production of 850,000 bpd in 1952.

In the event of a future slump in the oil industry, it would seem conservative to estimate a figure of 650-700 thousand bpd for Saudi

	Mil- lions
Royalties	\$ 65
Off-shore royalties	2
Taxes: \$5 million paid in January plus \$10 million monthly, Feb.-Dec.	115
Taxes: Amount discounted and paid in 1951.	25
TOTAL	\$207

Estimated deductions in 1952:

Royalties	\$ 6.6
Export-Import Bank. <i>loan</i>	1.2
Repayment \$6 million (ending March)	2.25
Tax advances discounted	25.
Invoices.	6.
TOTAL	\$41.05

Thus net receipts for SAG from Aramco after deductions *would* be about \$166 million in 1952.

At present 75% of the royalty and about 90% of the taxes are paid in dollars and the rest mainly in sterling currencies.

PIPE LINE PROFIT

Aramco first intended to write off the pipe line after fifteen years. SAG wants actual profits from the pipe line to give a more immediate return. This question is not settled, but will come up for subsequent discussion. SAG proposed setting a price of \$1.73 per barrel at the point where the pipe line reaches the border of Saudi Arabia. If this arrangement were made, SAG might receive about \$10 million of additional revenue.

ESTIMATE OF TOTAL OIL REVENUES FOR FUTURE USE

Obviously, such estimates are difficult, but it is desirable to take a conservative figure with a view to urging SAG not to raise unduly the level of ~~recording~~ *recording* expenditures -- i.e., to treat the ~~excess~~ *excess* over a certain figure as a "windfall", and use it for non-recurring expenditures including ~~collection~~ *allocation* of substantial cash reserves.

With the above in view, I discussed the problem with experts. In the light of this discussion, it appears that for the present a production of 850,000 bpd is a pretty safe guess, subject to drastic changes in the international situation. As to nearby competing sources, Kuwait seems to be close to the maximum it can handle with its present facilities. Kuwait plans to have to increase production to 1-1.1 million bpd. On the other hand, Qatar has ~~claims~~ *large* reserves and may prove equal to Kuwait.

Increasing production from these sources and from Iran, if a settlement is made there, may bring a lower price for oil. The present Saudi Arabian price is \$1.43 fob Ras Tanura or at Qaisumah on tap line at the Saudi Arabian border. The present Kuwait price under on-hand contracts with Standard Oil of New Jersey and others is \$1.20-25. This ~~competition~~ *competition* is favorable to the oil companies as regards their profit-sharing with Kuwait.

In the event of a future slump in the oil industry, it would seem conservative to estimate a figure of 650-700 thousand bpd for Saudi

Arabian ~~Inc.~~. In such case, gross revenue might reach \$140 million yearly even at lower prices.

Arthur N. Young

Locals
SAF payroll
2/28/52

Office Workers:

- a) Foremen: Shall be employed at 400-00 S/R per mensem with an annual increment of 25-00 S/R, but if any of them proves himself to be very efficient, he may be granted such an increase after six months service. The maximum of the scale being 600-00 S/r per mensem.
- b) Junior Clerks and Timekeepers: Shall be employed at 300-00 S/R. with an annual increment of 25-00 S/R per mensem. The maximum being 450-00 S/R per mensem.
- c) First Class Clerks: Shall be employed at 450-00 S/R per mensem with an annual increment of 25-00 S/R per mensem. The maximum being 600-00 S/R per mensem.
- d) Interpreters and Typists: Shall start at 400-00 S/R with an annual increment of 25-00 S/R per mensem. The maximum being 600-00 S/R per mensem.
- e) Accountants: Shall start at 600-00 S/R with an annual increment of 25-00 S/R per mensem. The maximum being 800-00 S/R per mensem.

Monetary
agency.

Draft Decree

February 18, 1952

III. The "Financial Agency of the Kingdom of Saudi Arabia" shall

In view of what our minister of Finance has submitted to Us, We hereby ordain the following:

I. Our minister of Finance is hereby authorized and directed to take the measures necessary and appropriate to charter and organize an institution to be called "Financial Agency of the Kingdom of Saudi Arabia" and to operate such Agency as soon as its organization is completed and after its charter has been presented^{to} and sanctioned by Us.

II. The functions of the "Financial Agency of the Kingdom of Saudi Arabia" shall be:

(1) To strengthen the Currency of Saudi Arabia and to stabilize it in relation to foreign Currencies, and to avoid the losses resulting to the Government and the people from fluctuations in the exchange value of Saudi Arab Coins whose rates have not so far been fixed in relation to foreign currencies which form the major part of the Government's income.

(2) To aid the ministry of Finance in centralizing the receipts and expenditures of the Government in accordance with the items of the authorized budget and in controlling payments so that all branches of the Government shall abide by the budget.

February 14, 1951

III. The "Financial Agency of the Kingdom of Saudi Arabia" shall not charge any profits on its receipts and payments and shall not act in any manner which conflicts with the teachings of the Islamic law.

The Agency shall be established as an institution to be known as "Financial Agency of the Kingdom of Saudi Arabia". It shall maintain an office in Riyadh and shall have such other offices in Jeddah and such branches and agencies as may be required.

The objects of the Agency shall be:

- (a) To strengthen the currency of Saudi Arabia and to stabilize it in relation to foreign currencies, and to avoid the losses resulting to the Government and the people from fluctuations in the exchange value of Saudi Arabian coins whose rates have not so far been fixed in relation to foreign currencies which form the major part of the Government's income.
- (b) To aid the Minister of Finance in controlling the receipts and expenditures of the Government in accordance with the limits of the authorized budget and in controlling payments so that all branches of the Government shall operate by the budget.

IV. Capital

1. The Agency shall have an authorized capital equivalent to 500,000 gold riyals (calculated at \$12.50) and equivalent to \$6,250,000.

At least two-thirds of the capital shall be paid in prior to commencement of operations. Paid in capital shall include the value of a building or buildings and equipment which the Government may provide.

V. Functions

4. The Agency shall have the following functions in relation to currency:

- (a) To stabilize and maintain the external and internal value of the currency.
- (b) To hold and operate any monetary reserve funds as separate funds earmarked for monetary purposes only.
- (c) To buy and sell for Government account gold and silver coins and bullion.
- (d) To advise the Government about new coinage and handle the manufacture, shipment and issue of all coins; it is being understood that coins would be issued only through and at the request of the Agency.
- (e) To regulate commercial banks, exchange dealers and money changers as may be found appropriate.

February 18, 1952

CHARTER OF THE FINANCIAL AGENCY OF THE KINGDOM OF SAUDI ARABIA

I. Creation & Objects

1. There is hereby created an institution to be known as "Financial Agency of the Kingdom of Saudi Arabia". It shall maintain an office in Riyadh and shall have its chief operating office in Jidda and such branches and agencies as may be appropriate.

2. The objects of the Agency shall be:

- (a) To strengthen the currency of Saudi Arabia and to stabilize it in relation to foreign currencies, and to avoid the losses resulting to the Government and the people from fluctuations in the exchange value of Saudi Arabian coins whose rates have not so far been fixed in relation to foreign currencies which form the major part of the Governments' income.
- (b) To aid the minister of Finance in centralizing the receipts and expenditures of the Government in accordance with the items of the authorized budget and in controlling payments so that all branches of the Government shall abide by the budget.

II. Capital

The gov't shall provide the entire Capital of the agency.

3. The Agency shall have an authorized capital equivalent to 500,000 gold sovereigns (calculated at \$12.00 and equivalent to \$6,000,000).

At least two-thirds of the capital shall be paid in prior to commencement of operations. Paid in capital shall include the value of a building or buildings and equipment which the Government may provide.

III. Operations

4. The Agency shall have the following functions in relation to currency:

- (a) To stabilize and maintain the external and internal value of the currency.
- (b) To hold and operate any monetary reserve funds as separate funds earmarked for monetary purposes only.
- (c) To buy and sell for Government account gold and silver coin and bullion.
- (d) To advise the Government about new coinage and handle the manufacture, shipment and issue of all coins; it is being understood that coins would be issued only through and at the request of the Agency.
- (e) To regulate commercial banks, exchange dealers and money changers as may be found appropriate.

5. The agency shall aid the ministry of Finance in centralizing the receipts and expenditures of the Government in accordance with the items of the authorized budget and in controlling payments so that all branches of the Government shall abide by the budget. To that end the agency shall have the following functions:

- (a) To receive and act as depositary for all revenues including receipts from concessionaire companies, from customs, from the Haj and from other sources, and to maintain deposit accounts under such heads as the Government through the Minister of Finance may direct.
- (b) To act as agent for the Government in paying out funds for purposes duly by the Government through the Minister of Finance.

6. The Agency shall establish a Research Department to collect and analyze data needed to aid the Government and the Agency in formulating and carrying out financial and economic policies.

7. The Agency shall not charge any profits on its receipts and payments and shall not act in any manner which conflicts with the teachings of the Islamic law. The Agency shall not undertake any of the following functions:

- (a) Paying or receiving interest
- (b) Receiving private deposits
- (c) Making advances to the Government or to private parties
- (d) Engaging in trade or having an interest in any commercial, industrial or agricultural enterprise
- (e) Buying or holding fixed property except what the Agency reasonably needs for its operations.
- (f) Issuing currency notes

IV Direction and Administration

8. The Agency shall be under the control of a Board of Directors which shall be generally responsible for its efficient administration and operation and shall have such powers as are necessary and appropriate to that end.

The Board of Directors may make such rules and regulations as it may consider necessary and appropriate for the conduct of the work of the Agency in accordance with this charter. In the event that changes in this charter are found necessary, the Board of Directors shall recommend them to the Government through the Minister of Finance.

9. The Agency in the name, "Financial Agency of the Kingdom of Saudi Arabia", shall be a corporation with continuing succession. The Agency is authorized to take such action as may be necessary and appropriate to give effect to this charter including, but without thereby limiting its authority, authority to make contracts, to acquire and hold an pledge assets, and to incur such liabilities as are necessary and appropriate to the conduct of its operations.

10. The Board of Directors shall consist of three members: the Minister of Finance who shall be Chairman; the Governor of the Agency; and an additional member appointed by the Government.

11. The Governor shall be appointed by the Minister of Finance, who shall determine his remuneration and may remove him from office on reasonable notice. The Board of Directors shall determine the functions and powers of the Governor.

V Reports & Audit

12. The Agency shall render to the Government through the Minister of Finance monthly reports of its operations. The Agency shall be subject to audit by an auditor appointed by the Government.

DEPARTMENT OF STATE

press release

FOR THE PRESS

JANUARY 18, 1951
NO. 42POINT FOUR AGREEMENT WITH SAUDI ARABIA

The United States and the Kingdom of Saudi Arabia yesterday concluded a general agreement for technical cooperation under the Point Four Program. Technical Cooperation Administrator Henry G. Bennett announced the signing of the agreement in Jidda by Saudi Arabian Finance Minister Shaikh Abdullah Sulaiman and American Ambassador Raymond Hare.

Dr. Bennett welcomed the new general agreement as the first of its kind to be concluded with a Near Eastern country.

The general or "umbrella" agreements state the conditions of cooperation as prescribed by the Act for International Development, authorizing the Point Four Program. They provide the framework into which agreements for specific Point Four projects will fit.

The Saudi Arabian Government has already requested technical assistance in reclamation, irrigation, and underground water resources development. U. S. cooperation has also been requested in improving systems of Government Account, Finance and Customs procedures.

In connection with the reclamation and irrigation project, which has been approved by the Technical Cooperation Administration, an aerial survey of the country's resources is being planned.

The Kingdom of Saudi Arabia occupies most of the Arabian peninsula which lies between the Persian Gulf and the Red Sea. The area of the Kingdom is about three times that of Texas, and its population is estimated at approximately 6,000,000.

King Ibn Saud has been taking progressive steps to develop his country and improve the standard of living of the people. He is currently devoting more than 15 per cent of the country's revenues to the establishment of public works.

The Point Four Agreement just signed will extend that program and further encourage cooperation between the United States and Saudi Arabia.

* * * * *

CONFIDENTIAL

REQUEST FOR U.S. TECHNICAL ASSISTANCE

1. COUNTRY: Saudi Arabia
2. REQUEST NUMBER: 5
3. FIELD OF ACTIVITY: Government finance
4. NATURE OF ASSISTANCE: Services of: two experts for customs organization, to be employed at Jidda; two accounting experts to organize accounting procedures at the Ministry of Finance; and one expert in currency and coinage.
5. NUMBER OF EXPERTS: 5
6. ESTIMATED COST (TO U.S.):
7. LOCATION WITHIN COUNTRY:
8. ESTIMATED DATE OF INITIATION, IF APPROVED: As soon as possible
9. DURATION:
10. FORM AND CHANNEL OF REQUEST: Formal letter from Minister of Finance to U.S. Embassy.
11. FORM OF PROPOSED AGREEMENT:
12. DATE OF REQUEST: December 4, 1950
13. OTHER INFORMATION: U. S. Embassy urges that the experts be recruited and placed on duty at the earliest possible date.

Technical Cooperation Administration

Department of State

December 6, 1950

CONFIDENTIAL

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*Josephine
Adams
Personnel*

INCOMING TELEGRAM

DEPARTMENT OF STATE

TELEGRAPH BRANCH

CONFIDENTIAL

14

ACTION

CONTROL: 12713

REC'D: Dec. 29, 1950

9:09 a.m.

NEA

FROM: Jidda

INFO

TO: Secretary of State

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NO: 410, December 24, Noon

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DCL

TCA

DCR

Salha, Assistant Deputy Finance Minister, yesterday informed substance DEPTELS 215, December 18, and 223, December 22. Concerning appointment Franck, Salha stated he would inform Finance Minister who would decide whether SAG willing retain him privately for trial period. Will inform Department soon as decision reached.

RE additional information requested DEPTTEL 215, Salha stated customs experts were required to propose reorganization Saudi customs. They will not be administrators but are to study existing decrees and operations customs administration and propose reorganization in light customs procedures in West, in advisory capacity only. Accountants are similarly required propose organization of an "accounting Department" in Riyadh which will have responsibility preparing annual Saudi budget and overseeing expenditures government departments. They to have no executive or administrative function. Salha further stated married accountants with families could live Riyadh and that quarters would be furnished them. Added that houses would be built Jidda for customs experts. Embassy believes SAG will in due course furnish housing required, but hopes Department will inform as soon as individuals named in order we may press SAG for housing to fit individual requirements. We and SAG deeply appreciative prompt attention given requests so far.

HARE

LMS:CER

Note: Message delayed in transmission.

CONFIDENTIAL

POINT IV PROJECT AUTHORIZATION

Saudi Arabia

Request No. 5

Project No. (1)1XX7331

Field of Activity: Government Finance

Nature of Assistance: Services of five experts to advise the Minister of Finance on the initiation of fiscal reforms related primarily to Customs organizations, budget and accounting departments, and currency and coinage problems.

Time Period: 1 year

Action Agency: Treasury Department and Bureau of the Budget

Budget: (F.Y. 1951)

01 - Personal Services	\$17,775
5 positions, 1.25 man years	
02 - Travel (including dependents)	9,000
03 - Transportation of Things	<u>7,500</u>
Total	\$34,275

(Note: Expenditure expected to commence March 1, 1950).

Limitations or Special Instructions:

Subject to: (1) Negotiation of Point IV project memorandum of understanding.

(2) Sub-project authorizations to be prepared specifying allotments to be made.

Approved: Henry G. Bennett

Date: December 28, 1950

MEMORANDUM OF CONVERSATION

DATE: March 20, 1951

SUBJECT: Recruitment Policy - Saudi Arabia

PARTICIPANTS: George Eddy, Treasury Dept. Melville Osborne, FP
McKee Rosen, Bureau of Budget Vladimir Taumanoff, FP
Stephen Dorsey, NEA
Gordon Cloney, TCA
Raymond Fernandez, TCA

COPIES TO:

Marcus J. Gordon - TCA McKee Rosen - Bureau of Budget
George T. Ross - TCA Melville Osborne - FP
Gordon Cloney - TCA Stephen Dorsey - NEA
George Eddy - Treas. Dept.

A meeting was called on the Saudi Arabian project in order to determine (1) what the precise status of recruitment is and (2) to reach a policy decision as to which agency would process and effect the entry on duty of the respective candidates for the Saudi Arabian mission.

The project calls for the assigning of five technicians as follows: 1 financial-monetary expert, 2 customs experts, 2 accounting and budget experts. A Mr. Arthur Young has been selected by the Treasury Department for the position of financial-monetary expert. He is a technician with ten years' experience as an advisor to the Chinese Government at a salary of \$25,000 per annum. The two customs experts have been selected by the United States Bureau of Customs and are Mr. Shamhart and Mr. Petty. It appears, however, that Mr. Petty is presently undergoing medical treatment for an eye infirmity and furthermore, it is doubtful whether foreign personnel would sanction his appointment, because of his being 71 years of age. The Treasury Department has tried to locate accounting and budgetary experts willing to go to Saudi Arabia, but has been unsuccessful. The Budget Bureau is currently endeavoring to recruit for these two positions and has recommended a Mr. Craig S. Atkins who will terminate his services with ECA in Greece in June.

Mr. Fernandez asked the group to formulate a clear statement as to who would undertake the processing of the above candidates. Mr. George Eddy of Treasury, stated that the Treasury Department was perfectly willing to place these candidates on the Treasury payroll in accordance with what is known as "The Management Plan". He felt, however, that the unique characteristics of the project in question presented an aspect which is absent in other projects.

The exchange of telegrams with the embassy in Jidda indicate that the project involved is not so much a technical assistance project, as one with very important political implications. Mr. Rosen of the Bureau of the Budget, who has also had access to exchange of correspondence, agreed with Mr. Eddy that the political overtones in this case were almost more important than the technical aspects.

Mr. Dorsey of NEA, stated that he had been given to understand by Mr. Arthur Z. Gardner of the Regional Bureau, that a chief of mission should be designated who should definitely be on the State Department payroll.

Discussion ensued as to whether a chief of mission was advisable, since this aspect was being injected into the discussion on this project for the first time. Whereas, Mr. Young will be an FSR-1 employee, nevertheless, Mr. Shamhart is also at the FSR-1 level, having been a GS-16 in his position of Deputy Commissioner of the Bureau of Customs. There is some question, therefore, as to whether Mr. Shamhart would be willing to act in a subordinate capacity.

Mr. Osborne of FP said that he was not sure whether the State Department could employ Mr. Shamhart, because he is now enjoying an income as a retired civil service employee. It has been the policy of the State Department in the past, not to re-employ retired government personnel. This policy has been applied to former State Department employees as well as those of other Federal Bureaus.

Mr. Cloney expressed the conviction that any deviations or exceptions from the "Management Plan" should be reduced to a minimum and be fully justified. It was agreed, however, by all those present that TCA's policy in this regard should be flexible and should permit of exceptions when fully warranted.

The conclusion was reached, that the question of whether Saudi Arabia technical assistance personnel would be processed by the State Department or by Treasury, would be discussed further with NEA and TCA. It was agreed and affirmed that Treasury was perfectly willing to place the candidates finally selected on their rolls now or in the future, but in this particular instance, because the political implications possibly overshadow the strictly technical assistance aspects, that it would be advisable to make an exception and have the State Department employ technical assistance personnel.

Note: Message delayed in transmission.

CONFIDENTIAL

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INCOMING TELEGRAM

DEPARTMENT OF STATE

TELEGRAPH BRANCH

CONFIDENTIAL

14
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REC'D: Dec. 29, 1950
9:09 a.m.

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INFO TO: Secretary of State

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CONFIDENTIAL

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Activity
Authorized

TECHNICAL COOPERATION ADMINISTRATION

POINT 4 COUNTRY PROGRAM AUTHORIZATION

Saudi Arabia

Project No. 030-470

Change Order No. 1

Field of Activity: (Project No. 030-470 previously designated Government Finance.) Country program for Economic Development and Technical Cooperation.

Nature of Assistance: The purpose of this authorization is to establish a fund of \$500,000 to be used for the executive direction, organization, development, supervision and local administration of a coordinated country program for economic development. Technical assistance will be furnished in the fields of Agriculture, Natural Resources, Health and Government Services. Included in this fund is \$64,154 previously authorized for the Government Finance project and \$131,000 to be reauthorized for continuing ground water investigations and aerial mapping. It is anticipated that \$144,000 of this authorization will be for Agriculture, \$100,000 for Health and \$60,846 for Economic Development (Program Direction) in Saudi-Arabia. This country program authorization is for payment of personnel services, travel, transportation of things, communication services, rents and utility services, printing and reproduction, other contractual services, supplies and materials, and equipment, and includes project authorizations issued to participating agencies.

Time Period: Through June 30, 1952

Action Agency: TCA

Budget: (FY 1952)

Total TCA

Previously authorized	64,154
Increase authorized	435,846
Revised total	500,000

Limitation or Special Instructions: Detailed information will be prepared regarding the country staff of U. S. technicians and supplies and materials required to assist the Saudi-Arabian Government with the development and operation of their country program. TCA Budget and Fiscal will issue allotments within the total amount authorized for this country program only upon receipt of memoranda from Assistant Administrator, NEDS, furnishing the necessary detailed information.

Agreement: General agreement signed and effective as of January 17, 1951.

Action to be Taken: TCA Budget and Fiscal will issue necessary documents within the amount of this authorization on receipt of appropriate memoranda

Approved: Henry G. Bennett
Administrator
Date: 10 - 22 - 51

June 21, 1952

TRIP TO KENYA

The following information may be of interest to those considering a trip to Kenya. This trip is a good change from Jidda, as it is cool and the altitude ranges from 5,000-8,000 feet at the principal places to be visited.

Transportation. Ethiopian Air Lines has a service from Jidda each two weeks which goes through during the day in Martin 202 pressurized planes which are very comfortable. They have, however, two planes a week between Nairobi and Asmara, so that the connection could be made at Asmara by using MATS or Aden Airways--but perhaps entailing a stay-over in Asmara.

The cost of a round trip from Jidda to Nairobi is \$819 (Ethiopian dollars); but this can be paid in Egyptian pounds bought at a discount and works out at about \$270 round trip per person (about 1800 miles each way).

Hotels. In Nairobi the New Stanley Hotel is the best--though we found it the least satisfactory of all hotels on the trip. We advise spending only one or two days in Nairobi. The greatest interest is in the resort area, mostly to the north around Mount Kenya (17,000 feet). We recommend the Outspan Hotel at Nyeri where we spent most of our time. We also enjoyed brief stays at Hotel Mawingo, Nanyuki; Pig and Whistle Hotel, Meru; Barry's Hotel, Thomsons Falls; and Lake Hotel, Naivasha.

It is necessary to make reservations in advance at the New Stanley and Outspan Hotels. From the Outspan Hotel one can make reservations at the other places by telephone.

The highest rate for a comfortable room for two persons with bath was 65 shillings daily, and there are some accommodations a little cheaper. The 65 shillings rate works out at about \$8.00 daily, including meals for two. We found meals generally good except at the New Stanley Hotel. There is no price discrimination against Americans.

Sightseeing. The animal reserve outside Nairobi should be visited either in the early morning or at about 4 p.m. A great variety of wild game can be seen.

The Outspan Hotel operates the well-known "Tree Tops"--a house thirty feet high in a huge tree where visitors spend the night and can see a great variety of animals. It is best to visit "Tree Tops" when there is a moon, although they now get fair results from artificial light. The cost of the visit varies according to the number

of the party. We paid 70 shillings apiece as there was a full party of nine, but for a party of two (generally there would be more) the cost might reach 133 shillings per person.

The trip takes about 24 hours and is well worth while.

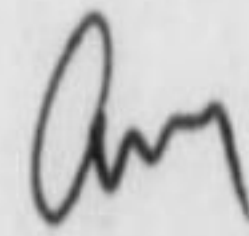
Local Transportation. We engaged a car from Overland Company, Ltd., Nairobi, at a cost of 1.50 shillings per mile for a minimum average of 40 miles daily. The car was driven by an English-speaking driver who was excellent. During eleven days we drove about 700 miles, the total cost being about \$130.

It is not necessary to engage a private automobile for the trip of about 100 miles to Nyeri. This can be made by railroad or bus, although these do not run every day.

Seasons. The most desirable time for a visit is June because the heavy rains end at the end of May and the country is green. There is little rain from June 1 to September 30 and a trip at any time in the summer is quite practicable. Another good time for a visit is between Christmas and March 1, following the "little rains" from October 1 to Christmas.

Clothing. Some medium weight clothing and a sweater should be taken because the evenings are cool. The June temperature range is between 50° and 80°. In the warm season--January-February--temperatures may reach 90° in the midday, but nights are cool. Travel is very dusty and clothing suitable for dusty travel is desirable.

In conclusion we strongly recommend this trip as a desirable change from Jidda, and in particular because of the opportunity to see many wild animals and beautiful scenery.



Arthur N. Young